



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

IN REPLY REFER TO:

Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

KAUAI & OAHU

CONSENT TO ASSIGNMENT OF HARBOR LEASE OF
NON-EXCLUSIVE EASEMENTS NOS. H-94-1 AND H-94-4 AT
NAWILIWILI HARBOR, KAUAI AND HONOLULU HARBOR, OAHU

STATUTE: Section 171-36, Hawaii Revised Statutes.

ASSIGNOR: The Gas Company, LLC; as owned by HGC Holdings, L.L.C.; as owned by k1 Ventures Limited.

ASSIGNEE: The Gas Company, LLC; as owned by HGC Holdings, L.L.C.; as owned by Macquarie Gas Holdings LLC.

HARBOR LEASE
NO. H-94-1:

CHARACTER OF USE: Construction, installation maintenance, use and repair of an 8-inch and a 4-inch pipeline and appurtenances for the storage and distribution of liquid petroleum gas.

AREA: Pipeline Easement containing 2,383 square feet together with four cathodic bed easements containing an area of 762 square feet.

LOCATION: Adjacent to Pier 3, Nawiliwili Harbor, Lihue, Kauai, TMK: 4th/3-2-03 (Portion), as shown on Exhibit "A," also being a portion of Governor's Executive Orders Nos. 3144 and 3411.

RENTAL: \$2,287.00 per annum.

LEASE TERM: From December 31, 1994 up to and including September 28, 2023.

HARBOR LEASE

NO. H-94-4:

CHARACTER OF USE:

Construction, installation, maintenance, use and repair of one 8-inch and one 10-inch pipelines for the distribution of synthetic natural gas products.

AREA:

Easement 1: 178 square feet

Easement 2: 280 square feet

Easement 3: 692 square feet

Easement 4: 609 square feet

LOCATION:

Adjacent to Pier 38, Honolulu Harbor, Kapalama, Honolulu, Oahu, TMK: 1st/1-5-42 (Portion), being a portion of Governor's Executive Order No. 1346, as shown on Exhibit "B".

RENTAL:

\$14,524.00 per annum.

LEASE TERM:

Fifteen (15) Years, from January 1, 1995 up to and including December 31, 2009 (the lease was intended to run co-terminus with The Gas Company's lease with the Department of Land and Natural Resources General Lease No. S-4250).

ASSIGNMENT

PREMIUM:

\$12,720.00 (The assignment premium computation is attached as Exhibit "C.")

REMARKS:

The Gas Company, LLC (TGC), is a wholly owned subsidiary of HGC Holdings, L.L.C. The proposed change of control has two parts. First, the 0.1% membership interest currently held by HGC Managing Member, L.L.C., a Hawaii limited liability company, "HGC Managing Member," in HGC Holdings, L.L.C. (which in turn owns 100% of the membership in TGC) will be transferred to HGC Investment Corporation, a Delaware corporation, which will be 100% owned by K-1 HGC Investment, L.L.C., a Hawaii limited liability company, "K-1 HGC Investment," such that

K-1 HGC Investment will, as a result, effectively hold, either directly or indirectly, 100% of the membership interests in HGC Holdings, L.L.C. Second, K1 Ventures Limited will thereafter transfer all of its 100% membership interests in K-1 HGC Investment to Macquarie Gas Holdings LLC (MGH) thereby effectively transferring control of K-1 HGC Investment, and ultimately HGC Holdings, L.L.C. and TGC to MGH. As TGC is a public utility regulated by the Hawaii Public Utilities Commission (PUC), an application was filed with the PUC to approve the transfer of control of TGC. The PUC approved the transfer of control in Decision and Order No. 22449, filed May 3, 2006.

TGC holds other leases and revocable permits with the Harbors Division. However, the assignment provisions of the harbor leases were modified in the 1990's to provide that a transfer of 20% or more of the stock or interest in the lessee would be treated as an assignment of the lease requiring consent. Only the subject leases must receive consents for the subject transfer. The other leases of TGC involve documents that do not contain the aforementioned condition in the assignment sections of their leases, and as such, do not require consent for the subject transfer.

TGC will remain the same entity following the transfer of control of the upstream interests. As such, the leases and revocable permits held by TGC may remain the same, as the other leases and revocable permits are not affected by the subject transfer. There is no assignment premium for Harbor Lease No. H-94-1. There is an assignment premium of \$12,720.00 due for Harbor Lease No. H-94-4 and payment of this premium is required prior to final execution of the consent to assignment documents.

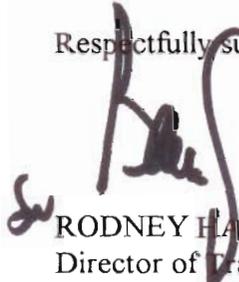
RECOMMENDATION:

That the Board consent to the assignment of the above described leases of easements subject to the terms and conditions outlined above and incorporated herein by reference and subject to:

1. Review and approval by the Office of the Attorney General.
2. Payment of the Assignment Premium of \$12,720.00 by The Gas Company, LLC.

3. Such other terms and conditions as may be prescribed by the Director of Transportation that best interest the State.

Respectfully submitted,



RODNEY HARAGA
Director of Transportation

Attachments



APPROVED FOR SUBMITTAL:

PETER T. YOUNG
Chairperson and Member

EXHIBIT "A"



Map No. 2091

Source: Tax Maps Bureau

Revised: 1956

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**GAS PIPELINE EASEMENTS
 EASEMENTS 1, 2, 3 AND 4
 SITUATED AT PIER 37, HONOLULU HARBOR
 AFFECTING PORTION OF EXECUTIVE ORDER 1346**

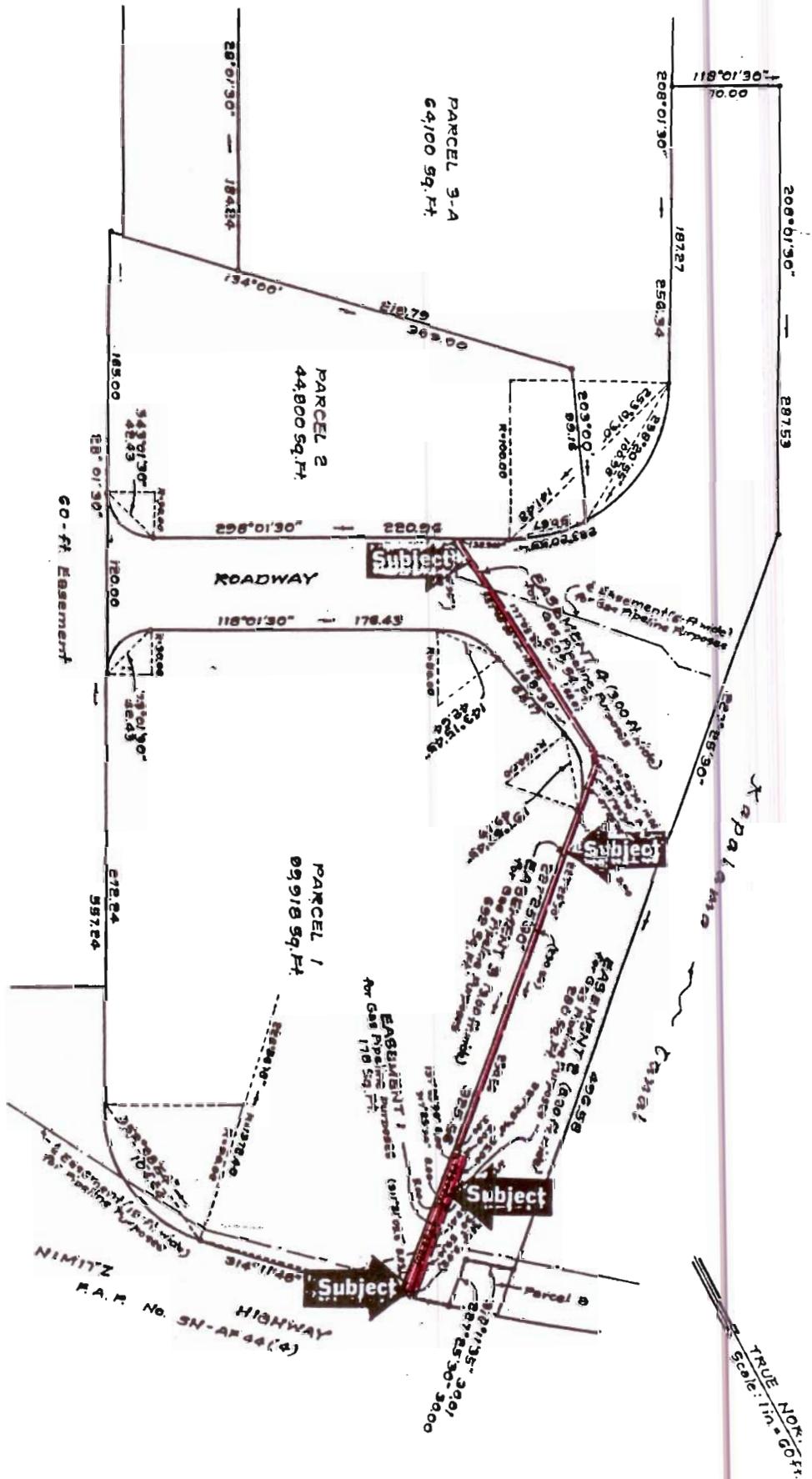


EXHIBIT "B"



THE GAS COMPANY

Calculation of Purchase Premium to Lease Values (\$000)

Description	Ref	Amounts
Initial sale price		\$238,000
Less CA settlement givebacks to ratepayers		(\$2,800)
Less CA settlement givebacks to MIC		(\$4,500)
Net sale price after givebacks		\$230,700
Balance sheet net asset values	1	\$137,360
Multiple of net sale price over net asset values		0.6795 premium

Premium Multiplier Applied To State Lease Present Values:

Present value of State leases @ 8%/yr

94-1 Nawiliwili \$2.287/yr		
2006-2023 17 yrs		\$20.861
Less: improvements value		(\$228.897)
Net Nawiliwili		\$0.000
Premium multiplier applied		0.6795
Premium on PV of lease		\$0.000
50% of premium		\$0.000

94-4 Pier 38 \$14.527/yr		
2006-2009 3 yrs		\$37.437
Less: improvements value		\$0.000
Net Pier 38		\$37.437
Premium multiplier applied		0.6795
Premium on PV of leases		\$25.439
50% of premium		\$12.720

References & Work Area	Ref	Amounts
Total assets on balance sheet 2/28/06		\$148,002
Less current liabilities		(\$10,098)
Less other liabilities		(\$544)
Net assets	1	\$137,360